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EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D. C.

JUL 19 1961

MEMORANDUM FOR THE PRESIDENT

Subject: FY 1962 budget amendment of \$4,343 million proposed by the Secretary of Defense for force increases and related actions

The following background information and comments are submitted in reference to the revised proposal of the Secretary of Defense for a \$4,343 million 1962 budget amendment for partial mobilization in connection with the Berlin problem which is to be discussed at the National Security Council meeting this afternoon.

The original proposals submitted by the Secretary of Defense on July 13, 1961, which contemplated an amendment of \$4,375 million, and such supporting information as was available from the military departments, were jointly reviewed by staff of the Bureau of the Budget and the Office of the Secretary of Defense. On the basis of this review it was tentatively concluded that essentially the same proposals could be accomplished with a 1962 budget amendment of \$3,523 million. Substantial reductions were found possible in the original estimates as a result of more refined calculations of military personnel fund requirements, consideration of production feasibility of procurement items, elimination of items not materially related to the objectives of the proposals, and identification of offsetting savings in other areas that would result from implementation of the proposed program. The \$3,523 million estimate also included certain necessary items that had been omitted from the original programs, such as control groups and reconnaissance squadrons to support the Air National Guard fighter squadrons, and aircraft procurement for the Army which had been excluded by the general guideline laid down by the Secretary of Defense that no aircraft procurement would be included in the proposed budget amendment.

In arriving at his present proposal for \$4,343 million, the Secretary of Defense has added \$820 million to the \$3,523 million estimate developed by the joint budget staffs, including (1) restoration of about \$132 million in various judgment areas where the staff had proposed reductions, (2) \$31 million for special procurement items not previously considered, (3) \$210 million to provide flexibility for rotation of military personnel in order to avoid building up to an undesirable peak in military personnel strength, and (4) \$447 million for aircraft procurement for the Navy and Air Force which had previously been specifically excluded from consideration.

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While certain further refinements would be necessary before submission to Congress, e.g., in the details of the types and models of Navy aircraft to be procured, and further consideration would have to be given to the manner of presenting the proposals and estimates to Congress and the public, we consider that the Secretary's revised proposals totalling \$4,343 million represent a generally acceptable program in the circumstances, provided that:

1. The substantive approach to the Berlin and related problems implied in the Secretary's proposals is accepted,
2. It is decided that a limited national emergency is to be declared, and
3. It is decided that the degree to which our military posture should be strengthened at this time corresponds to a 1962 budget amendment of as much as \$4.3 billion.

The Secretary's proposals do not address themselves to the alternative possibility that for the present it would be assumed that a national emergency would not be declared. He does indicate that if it is decided to exclude the cost of mobilizing 4 Army National Guard divisions, 1 Marine Reserve division and air wing, and 60,000 Naval reservists for raising the manning level in the fleet world-wide from 82% to 91%, a total of 254,000 personnel, the proposed budget amendment would be reduced by \$959 million to \$3,384 million. Under this alternative, the declaration of a limited national emergency would still be required to call up the Air National Guard and Air Force Reserve forces proposed, and apparently also for calling some Army and Navy reservists as individuals as necessary to provide trained personnel required for various of the other proposals for increasing military strength and readiness.

Our view is that under the alternative assumption used by the Secretary that the 254,000 National Guard and Reserve personnel would not be called up, further reduction of about \$402 million should be made in the estimates to be submitted at this time. This would exclude from the present submission funds for other items on which the decision to proceed appears to be dependent on, and not required prior to, the decision to call up these Reserves. The items involved are those relating to the movement of the expanded forces, primarily those for moving the 6 Army divisions to Europe, since such a move is understood to presuppose the call up of National Guard and Reserve forces, for replacing the CONUS reserve if not for actual deployment. The amounts for return of dependents would also be excluded, since it is understood that this action is not considered desirable prior to a decision to move additional troops to Europe. On this basis the budget amendment to be submitted at this time would be about \$2,982 million.

Under the assumption that all funds dependent on a decision to declare a limited national emergency should be excluded from the estimates submitted

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at this time, we estimate that the budget amendment would be further reduced to below \$2,800 million. The principal identifiable adjustments, in addition to those referred to above, would be exclusion of the funds associated with the call up of Air National Guard fighter and reconnaissance forces and with the reactivation of destroyer types for antisubmarine patrols. Further reductions would be possible to the extent that increased military strength included in other items is found, on analysis, to depend on call up of individual trained reservists rather than on increased retentions or draft calls.

Dividing the proposals roughly into the three categories shown, the various estimates discussed above may be summarized as follows:

	(In millions)			
Procurement items (all)	Call up of Reserves & related items	Other readiness items	Total	
<u>SecDef July 13, 1961, proposals:</u>				
Original	\$1,480	\$1,485	\$1,410	\$4,375
Staff review	1,183	1,327	1,013	3,523
<u>Present SecDef proposals:</u>				
Total	1,777	1,534	1,032	4,343
Excluding 254,000 reservists	1,777	575	1,032	3,384
<u>BOB analysis:</u>				
Excluding 254,000 reservists	1,777	173	1,032	2,982
Assuming no declara- of emergency	1,777	-0-	1,032	2,809*

*Less other amounts not identified at this time

David Bee

Director

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